

Message Text

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C O N F I D E N T I A L MANILA 4360

EA ONLY

E.O. 11652: GDS
TAGS: ENRG, EALR, RP, US
SUBJECT: WESTINGHOUSE RESPONSE TO GOP FORMAL INQUIRY

REF: (A) STATE 036354, (B) MANILA 4049

1. SUMMARY: WESTINGHOUSE REPS GAVE AMBASSADOR STATUS REPORT ON NUCLEAR PROJECT AND SYNOPSIS OF THEIR RESPONSE TO GOP FORMAL INQUIRY IN CALL MARCH 16. WESTINGHOUSE BELIEVES IT HAS ANSWERED ADEQUATELY THRUST OF GOP QUESTION WHICH FOCUSES ON RATIONALE FOR NUCLEAR POWER AND PRICING. END SUMMARY.

2. WESTINGHOUSE REPS IN TOWN TO DELIVER FIRM'S FORMAL RESPONSE TO GOP'S INQUIRY (REFTEL B) CALLED ON AMBASSADOR NEWSOM MARCH 16 TO BRIEF HIM ON STATUS OF THE PROJECT PRIOR TO HIS DEPARTURE FOR WASHINGTON. PRESENT FROM WESTINGHOUSE WERE BRUCE W. MORRISON, WALTER S. WILGUS, L. P. SABOL (LOCAL DISTRICT MANAGER FOR POWER SYSTEMS). ECON COUNSELOR AND EMBOFF ALSO ATTENDED.

3. WESTINGHOUSE REPS MET WITH SECRETARY VELASCO MARCH 15 TO GIVE HIM THEIR THREE VOLUME RESPONSE TO GOP'S QUESTIONS. THEY EXPECT TO MEET TOGETHER WITH SECRETARY VELASCO AND SOLICITOR GENERAL MENDOZA MARCH 17 WHEN THE WESTINGHOUSE RESPONSE MAY BE DISCUSSED IN DETAIL. THIS MEETING WAS CONFIDENTIAL

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NOT DESCRIBED AS A "HEARING" AND WILL NOT BE PUBLIC.

4. MORRISON TOLD THE AMBASSADOR THAT THE GOP PRESENTED ABOUT A DOZEN QUESTIONS FOCUSING ON THE RATIONALE FOR NUCLEAR POWER VS. OIL FUELED PLANTS, THE PRICE COMPETITIVENESS OF THE WESTINGHOUSE CONTRACT, LOCAL AGENT RELATIONSHIPS, AND PROJECT ORGANIZATION AND PROGRESS. THERE

WERE NO QUESTIONS CONCERNING THE SAFETY ASPECTS OF THE PLANT.

5. MORRISON FEELS WESTINGHOUSE HAS SATISFIED ALL OF THE QUESTIONS. ON PRICING SPECIFICALLY HE SAID COMPARISONS WERE DRAWN BETWEEN THIS PROJECT AND WESTINGHOUSE PROJECTS IN EGYPT AND KOREA. WHEN ALLOWANCES ARE MADE FOR DIFFERENCES IN SCOPE THIS PROJECT COMES OUT PRICED "SLIGHTLY MORE FAVORABLE" THAN THE EGYPTIAN PROPOSED PROJECT, AND KORI II IS "SLIGHTLY BETTER" PRICED.

6. GENERALLY, THE PROJECT IS TWO MONTHS AHEAD OF SCHEDULE. IT APPEARS NOW THAT THE NATIONAL POWER CORPORATION WILL GET A RENEWAL OF ITS LIMITED WORK AUTHORIZATION WHICH EXPIRES MARCH 31 FROM THE PHILIPPINE ATOMIC ENERGY COMMISSION TO ALLOW WESTINGHOUSE TO PROCEED FULL SPEED AHEAD. WESTINGHOUSE FEELS THE US EXPORT LICENSING PROCESS IS PROGRESSING NORMALLY. THE LICENSE IS NOT ACTUALLY NEEDED UNTIL LATE 1978 ACCORDING TO WILGUS. WHILE WESTINGHOUSE FEELS IT IS NOT IN THEIR INTERESTS TO CHALLENGE REP. ONG ON THE RATIONALE FOR NUCLEAR POWER, IT DOES INTEND TO ISSUE SOON A DETAILED RESPONSE TO THE UNION OF CONCERNED SCIENTISTS REPORT ON THE PHILIPPINE NUCLEAR POWER PROJECT.

7. A LOCAL WESTINGHOUSE OFFICIAL GAVE EMBOFF FURTHER AMPLIFICATION ON THRUST OF VELASCO'S INVESTIGATION AND CONFIDENTIAL

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ATTITUDES CONCERNING THE PROJECT IN A LATER CONVERSATION. VELASCO REPORTEDLY SAID IN THE MARCH 14 VALASCO/WESTINGHOUSE MEETING; "I HAVE NO CONCERNS ABOUT SAFETY OF THE PROJECT," AND "I HAVE MADE A DECISION TO SUPPORT THE PROJECT." WHAT VELASCO NOW WANTS FROM WESTINGHOUSE IS INFORMATION ON THE RATIONALE FOR NUCLEAR POWER VS. CONVENTIONAL SYSTEMS, AND ALSO THE RATIONALE FOR PRESSURIZED WATER REACTORS (WESTINGHOUSE) VS. BOILING WATER REACTORS (G.E.). WESTINGHOUSE MUST ALSO EXPLAIN THE DIFFERENCE BETWEEN THE ORIGINAL EBASCO COST ESTIMATE AND THE FINAL CONTRACT PRICE. (SOURCE SAYS THIS IS EASILY DONE BY CITING DIFFERENCES IN SCOPE, AND FACT THAT EBASCO ESTIMATE DIDN'T INCLUDE A MARGIN FOR RISK NECESSARY IN A FIXED PRICE CONTRACT.) AS HE READS THE SITUATION, WESTINGHOUSE NOW HAS ITS MARCHING ORDERS TO "PUT TOGETHER A PROPAGANDA PACKAGE," OF SUPPORTIVE INFORMATION FOR VELASCO TO USE IN THE LOCAL AND INTERNATIONAL POLITICAL ARENA.

8. IN ANSWER TO EMBOFF QUESTION, SOURCE ALSO SAID THAT THE OFFICIAL WESTINGHOUSE RESPONSE SUBMITTED TO THE GOP DID ACKNOWLEDGE IT HAD AGENCY RELATIONSHIPS WITH AND PAID COMMISSIONS TO TWO LOCAL FIRMS, HERDIS MANAGEMENT AND

DEVELOPMENT CORPORATION, AND ASIA INDUSTRIES. HOWEVER,
WESTINGHOUSE REFUSED TO REVEAL TO THE GOP THE AMOUNTS
OF THOSE COMMISSIONS ON BASIS THAT IT IS PROPRIETARY
INFORMATION THAT IF REVEALED WOULD PUT WESTINGHOUSE AT A
COMPETITIVE DISADVANTAGE IN THE MARKETPLACE IN BIDDING ON
FUTURE PROJECTS.
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